

**MINUTES OF THE
GOVERNOR'S BOARD OF ECONOMIC DEVELOPMENT**

December 9, 2010 • 10:00 a.m.

201 S. Main Street
Salt Lake City, UT 84111

Members Present: Rob Adams, Amy Anderson, Ragula Bhaskar, Jack Brittain, Mel Lavitt, Peter Mouskondis, Jerry Oldroyd, Snow Lowry, Cliff White, Mike Dowse, Stanley Ellington, Molonia Hola

Members Absent: Jake Boyer

Visitors: Stephen Tryon, Sam Peterson, Roger Johnson, Keith and Donna Cavanaugh

Staff: Spencer Eccles, Derek Miller, Michael Sullivan, Amy Hamblin, Marshall Moore, Mimi Davis Taylor, Bill Loos, Christina Oliver, Greg Hartley, Tamy Dayley, Clark Caras, Aaron White, Sue Redington, Greg Slater, Fred Lange, Les Prall, Yashoda Khandkar, Tara Thue, Samantha Mary Julian, Randy Hughes, Sophia DiCaro, Gary Harter, Adam

Chairman Ragula Bhaskar welcomed everyone to the board meeting. Derek Miller, Deputy Director of GOED, introduced his new administrative assistant, Shairose Falahati, who will also be working as the board secretary.

Utah's Own/DK Truffles Presentation

Shad Slaughter, a representative from DK Truffles, gave a brief history and overview of the company. Their company has been making premium-quality truffles since 1980. Over the years the recipe and unique manufacturing process has been perfected and delectable morsels are distributed locally under the name Utah Truffles. Expanding to a national market, Olde World Truffles has become the name of the known for top-quality truffles. High quality truffles have no season and are produced in Utah year round. They are the perfect gift that will leave a lasting impression, wonderful company incentives that provide taste recognition to your product or service, and a satisfying finish to a fine dining experience.

Christina Oliver, Director of Corporate Recruitment and Incentives, notified the board that a Utah's Own company will attend each board meeting to speak on what their local company has to offer. Clark Caras, Director of Marketing, talked about the Utah's Own program that he has helped to establish and the benefits of becoming a member.

Derek Miller, Deputy Director of GOED, gave an update on the Incentives Program including jobs, revenues, capital investments and new wages.

Mel Lavitt gave an update on his recruitment trip to California.

Jerry Oldroyd gave an incentives committee report on the Overstock.com project, which is a Utah created company. Forbes recently announced Overstock.com as the best employer for retail in the entire United States which drives employment to Utah.

Overstock.com, Inc

Project

- Establish a new software engineering office in Utah County thereby nearly doubling the Company's current software engineering capacity
- Timeline: Company decision expected December 9, 2010 or upon receipt of State incentive proposal
- Target Industry: Software Development/IT
- Proposed Location: Provo City, Utah County
- Capital Investment: Minimal tenant improvements in leased facility; personal property increase estimated at \$400,000 in 2011 and \$150,000 each year thereafter

Utah Jobs and Revenue¹

- 150 new full time, permanent employment positions, 100 of which will be created in 2011 and maintained for the life of the project (10 years)
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- Health benefits for the project add an estimated \$7,000+ per job to the base salary each year and are offered within 30 days of hire
- Company Average Wage vs. Utah County Average Wage
 - Max with health benefits: 248% (2012)
 - Max without health benefits: 225% (2012)
 - Min with health benefits: 181% (2011)
 - Min without health benefits: 157% (2011)
- New state wages over 10 years: \$ 95,480,000
- REMI Model (2011-2020):
 - Low Migration/Low Cost \$17,406,000
 - Middle Migration/Middle Cost \$11,403,000
 - High Migration/ High Cost \$6,888,000
- New State Revenue for 10 years: \$ 4,494,496
 - Withholding: \$ 3,580,500
 - Sales: \$ 85,552
 - Corporate²: \$ 828,444

Local Incentive

- Provo City is very supportive of this project however given the limited amount of real and personal property improvements associated with this expansion they do not have the ability to provide tax increment financing incentives to Overstock.com. Provo has thus proposed to provide a building fee waiver that is valued at approximately \$3,500.

MOTION: Jerry Oldroyd moved to approve Overstock.com, Inc. a \$1,123,600 EDTIF post-performance refundable tax credit which represents 25% of new state revenue for 10 years. Peter Mouskondis seconded the motion. Motion carried unanimously. Mike Dowse abstained from the vote due to conflicting interests.

- Total incentive not to exceed \$1,123,600 EDTIF tax credit.
- Annual incentive amount based on 25% of new state tax revenue generated by the project.
- Total incentive not to exceed 25% of new state tax revenues over 10 years with a contractual recapture provision for any excess funds paid to the company.
- Must meet new employment projections, employee headcount at the stated wage % criteria, at 50% for the first 2 years, and 25% for each subsequent year.
- Annual total project average salary of new employees to be at least 150% of the Utah County Average Wage excluding benefits.
- Must commit to keep operation in Utah for the length of the incentive period.
- Incentives are site specific as outlined in the approved local incentive and subject to local incentive participation.
- Only new state revenue and new jobs created after the GOED Board final approval date are eligible for this incentive.
- Incentives are provided post-performance upon review and verification of receipted state taxes and performance requirements as outlined above.

Jonathon Johnson, President of Overstock.com, thanked the board members and the GOED department for the incentive. He spoke on how Overstock.com has grown in the recent years and the need for new technology in order for their continued growth in the community. He also introduced Sam Peterson, Senior Vice President of Technology for Overstock.com.

Czarnowski Display Service, Inc.

Project

- Establish a new tradeshow exhibit production and distribution facility.
- Proposed Location: Saint George, Washington County.
- Capital Investment: Estimated investment of over \$6.5 million in real and personal property.

Utah Jobs and Revenue

- 50 new full time, permanent employment positions created in 2011 and maintained for a minimum of 7 years.
- The Company will also periodically hire 25-40 temporary employees at an average estimated wage of \$15+/hr.

² The total corporate income tax allocation for the project from 2011-2020 is \$29,986,424 however the Company has a net loss carry forward that they expect to exhaust in 2015. The corporate income amount that the Company will actually 'pay' to the Utah State Tax Commission after all other tax exemptions and net loss carry forwards will be based on an estimated liability of \$16,568,880 thus the resulting new state revenue attributable to corporate income tax is expected to be \$828,444.

- Aggregate Average Wages are in excess of 150% the Washington County average wage and full time positions are eligible for benefits.
- New state wages over 7 years \$ 18+ million.
- \$915,000+ in new state revenue over the same period.

Local Incentive

- Saint George has offered a post-performance tax incentive based on all, existing plus new, property tax, both real and personal, paid by the Company for a period of 5 years; estimated ceiling of approximately \$350,000. The city based their incentive offer on the assumption that \$7 million is the approximate taxable property value of the final project after all tenant improvements and personal property is added.

MOTION: Jerry Oldroyd moved to approve Czarnowski Display Services, Inc. a \$187,300 blended EDTIF post-performance refundable tax credit and IAF cash grant. EDTIF portion based on 15% of new state revenue over 7 years. IAF grant portion based on \$1,000 per job created up to \$50,000. Total incentive 20.46% of new state revenue over 7 years. Lowry Snow seconded the motion. Motion carried unanimously

- Total EDTIF incentive not to exceed \$137,300 EDTIF tax credit.
- Total IAF incentive not to exceed \$50,000 IAF cash grant.
- Total EDTIF tax credit incentive not to exceed 15% of new state tax revenues over 7 years with a contractual recapture provision for any excess funds paid to the company:
 - Annual EDTIF incentive amount based on 50% of qualified new incremental state tax revenues generated and receipted in the previous calendar year for project years 1 through 2.
 - Annual EDTIF incentive amount based on 15% of qualified new incremental state tax revenues generated and receipted in the previous calendar year for project years 3 through 7.
- Must meet new employment projections, employee headcount at the stated wage % criteria, at 75% for the first 2 years, and 50% for each subsequent year.
- Annual total project average salary of new employees to be at least 150% of the Washington County Average Wage excluding benefits.
- IAF incentive to be disbursed after the first full 12 months of employment for each new employee up to 50 new employees. All IAF funds must be disbursed by the end of the second annual rebate period.
- Must commit to keep operation in Utah for the length of the incentive period.
- Incentives are site specific as outlined in the approved local incentive and subject to local incentive participation.
- Only new state revenue and new jobs created after the GOED Board final approval date are eligible for this incentive.
- Incentives are provided post-performance upon review and verification of receipted state taxes and performance requirements as outlined above.

EDZONE

ATK Aerospace Systems

Establish an Economic Development Zone for the purpose of supporting the location of the ATK Aerospace Systems Project in Clearfield City, Utah.

1. BCD Building Complex at Freeport Center Buildings A15, B14, C14, D14 and H10, Clearfield, UT 84016
2. Old ProLogis Building 1051 South Industrial Parkway, Clearfield, UT 84015

Adobe Systems Incorporated

Establish an Economic Development Zone for the purpose of supporting the location of the Adobe Systems Incorporated Project in Lehi City, Utah.

1. Project 500 at 2702 W. Frontage Road, Lehi, UT 84043

MOTION: Jerry Aldroyd moved to approve the creation of the Economic Development Zones listed above Jack Brittain seconded the motion. Motion carried unanimously.

Cliff White, the GOED Board Member assigned to the International program, updated the board on current International activities.

Jeff Edwards, President and CEO of EDCUtah, gave an update on current and upcoming projects. There have been three recruiting trips scheduled and also two additional trade shows.

Lowry Snow announced the opening of the new airport in Washington County. This will help economic development in the southern part of the state.

Lorris Betz, an employee at the University of Utah, announced he is retiring effective June 30, 2011.

Spencer P. Eccles introduced Jack Brittain who announced to the board that Senior Vice President, **Lorris Betz**, from the University of Utah Hospital, recently announced his resignation. Jack also noted the University of Utah Health Care was named the best in the nation in quality and safety when compared to our peer academic medical centers: medical centers like Mayo Clinic, Stanford and Johns Hopkins. To rank first in quality and accountability among this elite group is a tremendous honor and reflects the talent and commitment of all of our staff.

Meeting adjourned.